



October 12, 2011

The Honorable Julius Genachowski
The Honorable Michael Copps
The Honorable Robert McDowell
The Honorable Mignon Clyburn

**Re: WC Docket Nos. 10-90, 07-135, 05-337 and 03-109, GN Docket No. 09-51 and CC
Docket Nos. 01-92 and 96-45**

Dear Mr. Chairman and Commissioners:

RTFC is a nonprofit, member-owned cooperative dedicated to providing its approximately 500 rural telco members across the country with the financing needed to deploy high-quality, multiple-use communications networks in rural areas. As one of the most significant lenders to operators in rural areas—with more than \$1 billion in outstanding and committed loans at May 31, 2011—we are writing to reiterate our request for the Commission's serious consideration of our suggestions with respect to pending reforms of the federal Universal Service Fund (USF) and intercarrier compensation (ICC) mechanisms.

We applaud the Commission for its leadership in undertaking ICC and USF reform and in driving all stakeholders toward this opportunity to achieve such reform. Nevertheless, there are aspects of the reform proceeding that we feel must be addressed. Specifically, RTFC respectfully asks that the Commission:

- (i) Recognize and address the need for telcos to recover investments made in good faith reliance upon rules now in place; and
- (ii) Provide greater regulatory certainty to encourage future investment in rural markets.

As we explained to Commission staff during an August 9 meeting, RTFC primarily makes capital available for investment in the form of loans that are tied to the economic life of a member's assets and are typically made for terms no greater than 10 years. RTFC also provides shorter-term loans to assist members with liquidity and cash management.

Enclosed with this correspondence is a copy of the presentation delivered to Commission staff in August so that you may review further details of RTFC's business as well as the importance of equity and cash flow for the kinds of small telcos that borrow from RTFC.

In particular, we call your attention to the analysis on slides 9 and 10, which explains how reductions in USF support and/or net operating revenue could lead to severe adverse consequences with respect to both the recovery of existing capital investment in rural markets and prospects for future financing of investment in areas served by smaller rural providers.

As these slides indicate, regulatory certainty is a vital precondition for attracting long-term investment. The telecommunications networks financed by such investments are made up of assets that take years to recover and are part of the platform needed to provide service over the long term. RTFC has no doubt that lingering revenue uncertainty will have a serious negative impact on future lending and investment in rural America, leaving carriers with little, if any, ability to respond to consumer demand and meet the mandate of universal service.

Moreover, if new regulations undermine the ability to recover past investments, such regulations will precipitate the ironic risk of creating new “unserved” or “underserved” areas at the very time and through the very mechanism by which the Commission is attempting to solve such concerns in other parts of rural America.

For these reasons, RTFC urges the Commission to adopt and implement the plan submitted by the associations representing small rural carriers on April 18, 2011, as amended by the “Consensus Framework” submitted on July 29, 2011 (the RLEC Plan). See Comments of NTCA, *et al.* (filed April 18, 2011), at pages 7-38 along with Appendices A and C; *Ex Parte* Letter from Jonathan Banks, US Telecom, to Marlene Dortch, Secretary, FCC (filed July 29, 2011).

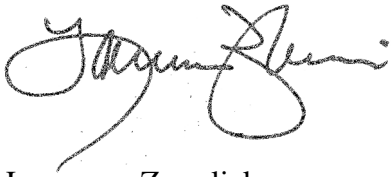
RTFC believes the RLEC Plan presents the most detailed and credible proposal on the record before the Commission for enacting USF and ICC reform in the areas served by those carriers. We understand that the RLEC Plan is the product of compromise across different industry sectors, and while there are components of the plan that RTFC would have preferred to see changed—such as the pace and depth of ICC rate reductions—we recognize that conciliations were necessary in order to achieve an industry consensus that satisfies certain reform objectives identified by the Commission.

We caution against any changes to the RLEC Plan, however. The potential reductions to revenue support and the transitions already incorporated within the plan represent significant modifications to current funding mechanisms. Further changes likely would lead to the kinds of adverse impacts outlined in RTFC’s enclosed presentation, while creating the substantial likelihood for unintended consequences and/or undermining the best chance the industry will have to restore regulatory certainty going forward.

Once again, we thank the Commission for its leadership in undertaking the ICC and USF reform proceeding. We are hopeful the Commission will bring this process to a close by adopting and implementing the RLEC Plan as it has been filed and allow investors, lenders and the industry to continue their work in a clearer and more certain regulatory climate.

Pursuant to Section 1.1206 of the Commission's rules, a copy of this letter is being filed with the Secretary's office. If you have any questions, please contact me at 703-467-7405 or larry.zawalick@nrucfc.coop.

Respectfully,

A handwritten signature in black ink, appearing to read "Larry Zawalick", with a stylized, cursive script.

Lawrence Zawalick
Senior Vice President